

Private Money for the Public Good:
Higher Education Philanthropy in Canada and the United States

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Abstract

With the establishment of higher education institutions in the 17th century in both Canada and the United States, concerns over what should be the level of funding for higher education, and who should primarily be responsible for providing it has been a longstanding public policy debate. The critical pivot point for each country has been the varying roles of the state and the individual in funding higher education. How these roles were defined in each country framed the rise of philanthropy in higher education. This paper will trace the role of philanthropy in the development of higher education in Canada and the United States.

Introduction

The aim of this paper is to present the current state of philanthropy in higher education in Canada and the United States against the background of the historical context of the foundation of higher education in both countries. Philanthropy is defined here as the act of making a charitable gift, for the sustenance of colleges and universities, and should not be confused with sponsorship revenue. Deriving from the author's view as a university-based fundraiser, it is concluded that there is a poor understanding by both fundraisers and the general public of the historical antecedents of philanthropy for universities. As Temper & Campbell (2000) argue, "the relatively new pursuit of philanthropic studies as an area of teaching and research, the recent, rapid growth of the independent sector (nonprofit, charitable, civic, and philanthropic organizations), scandals and a demand for greater accountability, devolution of government services, and fear of the decline of civil society, all have put the spotlight on the 'third sector'" (p. 3). Moreover, there is little research in Canada on university fundraising, enlisting this paper as a worthy contribution to the understanding of philanthropy in the Canadian higher education sector. Thus, this paper will introduce the historical context of the higher education fundraising sector with the aim of providing the current challenges for the sector moving towards 2010. The comparison of Canada with the United States is especially relevant, as there are some large differences yet also some interesting and surprising similarities between them. Furthermore, the U.S. is widely acknowledged as the benchmark for higher education philanthropy, both in operations and in results. As such, a comparison is important to understand the greater environment of philanthropy in North America, with U.S. policy, laws, and practices being quickly adopted in Canada. Thus, this paper traces the role of philanthropy in the development of higher education in Canada and the United States in order to extend a public policy dialogue on issues and practice.

Background

With the establishment of higher education institutions in the 17th century in the United States the immediate policy question over what should be the level of funding provided for higher education, and who should primarily be responsible for providing it arose. How these questions were historically answered, and continue to be debated, has framed the development of higher education in both the U.S. and Canada and the concomitant role of philanthropy. As Delaney (2002) succinctly points out, "educational policy is all about values and the allocation of resources both financial and human, resources of which there are never

enough to go around” (p. 97). Indeed, any discussion of higher education philanthropy needs to take place within the context of the funding of universities. The critical pivot point for each country’s public policy on higher education, therefore, has been the theoretical assumptions about the appropriate roles for the state and for the individual in funding higher education. For university administrators, the long struggle has been to best determine how to play a significant role in the expansion of higher education while simultaneously avoiding excessive dependence on government funding (Gibson, 1983). Bercuson, Bothwell & Granatstein (1997) argue that ultimately, unlike the United States, Canada chose not to “develop a variety of university types; in particular, it did not develop universities with large endowments” (p. 31). One popular explanation for this difference in typology is that the United States has a more robust private educational philanthropy tradition than in Canada, which is grounded in the “latent function of American private colleges: the production of people who will support the institution throughout their lives” (Srebrnik, 2000, p.172).

However, Canada’s first university administrators astutely came to the conclusion that government grants and tuition fees provided sufficient funding to only allow a university to operate at a minimum basis. Consequently, endowment income came to be seen as enabling a university restricted to marginal resources to seek some form of peer-acknowledged excellence, and as “the only hope of real financial independence” (Gibson, 1983, p. 365). Thus, the role of individuals in supporting Canadian institutions of higher learning through philanthropy emerged almost as quickly as the institutions themselves, as well as the need to provide institutional resources to support fundraising campaigns.

A cross-border illustration provides greater insight into the differences between Canada and the United States with respect to the funding of private and public higher education institution. In the academic year of 2007-08, tuition fees accounted for 41 percent of operating revenues at Queen’s University, a public Canadian institution (Williams, 2008) whereas tuition fees accounted for only 19 percent of operating revenues at Princeton, a private American university (Princeton University, 2009). Thus, despite having tuition fees that are more than *six times* higher than its Canadian counterpart, Princeton actually relies far less on its tuition fees than Queen’s does to finance its operating budget. This is because investment income from its endowment provided 45 percent of Princeton’s operating budget. At Queen’s the Ontario government provided 48 percent of its operating budget, whereas investment income from its endowment provided only 4 percent of its operating budget. Furthermore, whereas charitable gifts provided 10 percent of Princeton’s operating budget, philanthropy provided just 1 percent of Queen’s operating budget. Thus it can be quickly understood that the vagaries of government policy on university funding considerably affects Queen’s operating budget whereas the vagaries of the financial market considerably affect the operating budget at Princeton. Both types of institutions, and their peer institutions, are susceptible to these specific external forces largely beyond their control, and so are looking more and more to the one area where they can exert a matter of influence: revenues from private philanthropy.

Common Space: Comparing Canada and the United States

The National Center for Education Statistics (2008) reports that there were 4,314 degree-granting institutions in the United States in 2007, comprising a mix of two-year and four-year degree institutions and with nearly 40 percent being public and the balance being private institutions. Total enrollment at U.S. degree-granting institutions by fall 2007 was 18,000,000 students (National Centre for Education Statistics, 2008). By contrast there were 1,080,000 students enrolled at Canada’s 94 degree-granting institutions in 2006 (Association of University and Colleges of Canada, 2007). Now, the choice of these two countries for comparison is quite deliberate. As will be demonstrated in this paper, the first Canadian institutions of higher learning were founded largely in opposition to the colleges of the United States, and a desire to transplant the ancient schools of England, Scotland, or France to the new country in form and purpose. Furthermore, from a cursory review of annual reports, most research-intensive universities in Canada benchmark their performance across a wide array of institutional metrics against public and private American universities.

Additional concern seen in public discourse in Canada frequently revolves around worry of the “Americanization” of Canadian universities—a term which is commonly interpreted to mean privatization (Tudiver, 1999). A striking difference between Canada and the United States is the extent of for-profit and

non-profit private higher education institutions in the latter. This paper assumes that, “private” universities or colleges can be typically understood to have internal control over the setting of tuition fees, admission policies, and other forms of governance, and tend to draw little or no operating funds from the state, whereas “public” universities/colleges can be typically understood as those where the primary control over tuition fees, and the majority of their operating funds, come from the state.

However, the distinction between “private” and “public” universities is becoming less clear. Some U.S. private universities may receive up to 30 percent of their operating revenue from direct and indirect government subsidies (Hwang, 2000) and Canadian public universities may receive up to 10 percent of operating revenue from private grants, donations, and ancillary businesses. Additionally, *de facto* private entities currently operate within Canada’s public universities. For example, in 2007, 83 percent of the operating budget at the school of business of the publicly-funded Queen’s University came from private sources such as tuition fees, donations, and endowment income (Queen’s School of Business, 2008). Similarly, the Richard Ivey School of Business (2008) at the publicly-funded University of Western Ontario reported that 88 percent of its operating revenues came from private sources in 2007. Gibson (1983) reports that it wasn’t until the 1960s that Canadian universities became largely dependent upon public support. McGill, for instance, was a privately operated university, with no assistance from the city, province, or federal government from its founding in 1821 right up to 1960 (Rybczynski, 1991). Ironically, any so-called “Americanization” of Canadian universities would be a return to their original private roots. For a deeper comparison, in the next two sections the rise of higher education institutions in the United States and Canada will be traced, and will demonstrate the role philanthropy came to play in their development and sustenance.

American History of Higher Education Philanthropy (1660-1900)

The tradition of American higher education philanthropy began with those who crossed the Atlantic to begin a new enterprise in self-government. Deeply religious, the Pilgrims held fast to the idea that the pious and wealthy have a responsibility to aid the less fortunate. In his *Essays to do Good* (1710), Cotton Mather espoused a particularly influential argument for voluntary contributions to one’s society that would later come to signify the American form of philanthropy (Bremner, 1988) George Whitefield, an English evangelist, toured the U.S. in the 18th century preaching and extolling the virtues of philanthropy. He raised money and books for the struggling colonial colleges of Harvard, Dartmouth, Princeton, and the University of Pennsylvania (Bremner, 1988). Guided by the ideals of limited government and freedom of expression, states, religious communities, and individuals established a range of higher education institutions and strove to protect them from government control. Underpinning the desire for a limited government role was the fervent belief that diversity and high quality was best achieved through competition rather than centralized planning (Eckel & King, 2004). Interestingly, with the exception of the Morrill Land Grant Act of 1862, which donated federal territory to the states for the establishment of public universities, the U.S. federal government played almost no role in higher education until the middle of the 20th century.

The first institution of higher learning in the United States was Harvard College, a private entity established in 1636 (Bush, 2007). Many other private institutions were then founded throughout the 17th and 18th centuries. However, the rapid development of American higher education occurred after the 1819 landmark legal case *Trustees of Dartmouth College v. Woodward* in which “the legal foundation for private control of higher education was formalized” (Newfield, 2003, p. 21). The importance of this case cannot be overstated because it established universities as corporations responsible for the control of “the management of private property, according to the will of the donors” (Newfield, 2003, p. 22). The linkage between private interests and institutional interests was thus firmly established, allowing for the development of new universities based on philanthropic contributions.

For the first two-hundred years of American higher education, most institutions were created and supported by private individuals and organizations, most too small to sustain funding. Also, until the secondary school system solidified in the Northeast and Midwest in the 1870s, there was no reliable “pipeline” of college-bound students. As a result, 700 colleges disappeared during the 1850s (Newfield, 2003, p. 25). By 1861 various denominations had covered the United States with colleges (Srebrnik, 2000), mostly private,

catering to parish children and governed through boards of trustees, much like the governance of the emerging business corporations.

Many U.S. colleges (including Harvard, Yale, Princeton, Columbia, Bowdoin, Williams, Rutgers, and Amherst) depended on support from both private benefactors and governments for their survival, and the search for such private support was perpetual (Newfield, 2003). The American public universities, begun under the aforementioned Morrill Act of 1862, had little control over their sources of funding, whether from state governments, alumni or other private benefactors. Furthermore, the growth of America's research universities in the 1870s led to the further "corporatization" of the university, with an increased management staff who harbored a "systematic focus on fundraising and funds" (Newfield, 2003, p. 29). In 1899, the state legislatures provided 90 percent of University of Wisconsin's and 95 percent of University of California's budgets respectively. As for private donations, they were largely erratic and often restricted to match a donor's specific interests, which might not match the institution's needs (Newfield, 2003). Thus, the institutionalization of fundraising began as U.S. universities looked earnestly for private funds to provide some level of security.

Canadian History of Higher Education Philanthropy (1600-1900)

The beginnings of higher education in Canada can be traced to 1635 when the Jesuits established a college in Quebec City for French children that offered classical studies in *Lettres* and *Philosophie*. A few years later, in 1663, Bishop Laval established *Le Grand Séminaire du Québec*, which provided advanced studies in theology. The *Séminaire* eventually received a royal charter from Queen Victoria and became Université Laval in 1853. A second campus of Laval was opened in 1878 in Montreal and later renamed Université de Montreal (Université Laval, 2009).

Canada's first English universities were private colleges established by Presbyterians, Methodists, Anglicans, Baptists, and Roman Catholics. The first English institution of higher education in Canada was King's College at Fredericton, New Brunswick. It was founded in 1787 by Anglicans, who would found another King's College at Windsor, Nova Scotia in 1789, and then a third King's College at York, Ontario (later Toronto) in 1827. Having the colleges called "King's" was no accident since the Anglicans were fervent Loyalists with a deep distrust of the United States. The Anglicans were motivated by a fear that if they did not establish educational institutions, their youth would have to be sent abroad to Europe or to the U.S. (Harris, 1976). Jacob Mountain, the first Anglican Bishop of Quebec, wrote to the colonial secretary in London stating, "You will see no doubt, Sir, all the mischiefs that may arise of sending our youth for education to the schools of Foreign America" (Rybczynski, 1991, p.12). The implication was that Canadian youth would be subjected to what was then perceived to be undesirable teachings and values of the new Republic.

In a move similar to Thomas Jefferson's 1779 proposal for the State of Virginia, where the educational system would have a university as the apex and be controlled by the state, a Canadian legislative council published a report in 1790 called *Means for Promoting Education*. The report called for free schools in each county town and for a state-controlled "collegiate institution for cultivating the liberal arts and sciences usually taught in the European Universities" (Harris, 1976, p. 17). The reality of a publicly-funded education did not fully emerge until the 1840s, with key legislative acts in each country leading to the development of publicly funded primary and secondary schooling. Legislation such as Ontario's *School Act of 1846* "encouraged the formation of and growth of public education" (McKendry, 1995, p. 151) through state control and funding.

Canadian higher education would be dominated by the struggle amongst competing religious denominations over the next century and a half. At the root of the sectarian struggle and rhetoric was strong opposition to the entrenched privileges of Anglicans, and the proposed establishment of an exclusive Church of England university (Osborne & Swainson, 1988). With the notable exception of the first public university, the University of Toronto in 1850, Canada's pre-Confederation universities were private institutions. They were primarily under the control of church-affiliated boards of trustees, receiving funds from private sources (such as tuition and donations) as well as government grants. Most were denominational in character and purpose. With confederation in 1867, however, government grants to

denominationally-controlled institutions essentially ceased, and in order to survive these colleges simply had little choice but to eventually abandon ties to churches and accept greater provincial oversight in order to receive any public grants (Calvin, 1941; Neatby, 1978). The political struggle over the support of denominational colleges versus public institutions came to a head in 1883, with Queen's College Principal, George Munro Grant, arguing that it was unfair that citizens who had established colleges like Queen's be taxed to support the provincial university, University of Toronto. Grant proposed that either the government let Toronto appeal to its friends and its alumni constituency as the other provincial colleges did, or establish "widely-planned funding" (Calvin, 1941, p. 101) to all colleges. Alas, Queen's, and the other Ontario institutions, would have to wait nearly 85 years for such provincially allocated formula per-student funding would not be introduced until the late 1960s (Ontario Council of University Affairs, 1994). More than ever, solicitations for private support amongst the colleges' respective graduates, friends, and parishes were necessary if Canada's nascent universities would survive.

However, there was little enthusiasm for Canada's early higher education institutions; thus, they "struggled along with meager resources and their survival can only be explained by the dedication of individual professors and sacrifices of citizens" (Somers, 1966, p. 29). Lack of financial resources proved to be a limiting factor in Canadian higher education until the 1950s (Harris, 1976). Not surprisingly, only two Canadian universities had been named after benefactors, McGill and McMaster. Emerging Canadian colleges thus differed little from their American 18th century counterparts, who also had suffered from a paucity of funds.

By 1890, Dalhousie, McGill, and Queen's had received substantial private donations to establish endowed professors and buildings (Harris, 1976), but these philanthropic acts appear to have been exceptions to a continued state of institutional poverty amongst Canada's institutions of higher learning. Endowment campaigns were only palliative — the costs that followed from natural growth always outran the increased income (Calvin, 1941).

Canadian and American Universities: Emerging Trends in Philanthropy (1900-2000)

At the turn of the century universities considered ways to increase other sources of income, especially revenue from philanthropy. Yet, by 1921, the combined endowments of Acadia, Dalhousie, King's, Mount Allison, and St. Francis Xavier were "substantially less than any *one* of three New England colleges, Amherst, Bowdoin, and Williams" (Harris, 1976, p. 213). This demonstrated that there was a lack of extensive private support — whether individual or foundation — within Canada.

There were few notable exceptions in Canadian higher education philanthropy and they were almost always at the older institutions. In the 1920s, McGill was able to raise substantial private gifts through a centenary campaign, largely as a result of its advantaged position in Montreal, which was Canada's largest and wealthiest city at the time. As well, students and alumni of the University of British Columbia spearheaded a major campaign for a permanent campus (Harris, 1976). In the 1930s, beneficent "angels" in the form of the Carnegie Foundation for the Advancement of Teaching and the Rockefeller Foundation awarded grants to Canadian universities (Harris, 1976). Overlooking national borders, these two philanthropic foundations supported a wide variety of institutional developments and saved some universities.

In the United States, one of the most significant institutional developments was the creation of an *Annual Giving Program* by Princeton in 1940, which not only asked alumni to subscribe to making annual donations but also asked them to recruit high school students to Princeton. By 1959, more than 72 percent of Princeton alumni were donating funds on an annual basis, the highest of any college in the United States or Canada (Karabel, 2005). In 1946, Harvard's endowment was valued at \$160 million and Yale's was at \$108 million, ranking number one and two respectively. Princeton's endowment was valued at \$34.9 million, placing it 12th in the nation, and at a major disadvantage against its two closest rivals (Karabel, 2005). Meanwhile, in Canada, Queen's endowment was valued at \$4.0 million by 1940, much less than its rival schools of Toronto and McGill, and it established an Alumni Fund in 1949 to try and inculcate a culture of philanthropy amongst its graduates (Gibson, 1983).

Another key development was the introduction of the “legacy admission” where an institution gives preference to children of its alumni. A controversial practice, legacy admissions favour those students whose academic credentials would not necessarily gain admittance, but who are attractive due to the potential of family members donating (Jaschik, 2008). As Karabel (2005) points out, one of the main arguments by institutions in favour of legacy admissions was that private institutions “depended heavily on the largesse of their alumni” (p. 551). Indeed, a report released entitled “Altruism and the Child-Cycle of Alumni Giving” (Meer & Rosen, 2007) contends that it is a common practice for alumni to make donations to their alma mater when their children are about to apply. In her review of this report for *Inside Higher Ed*, Jennifer Epstein (2007) writes that the authors found “a close relationship between alumni giving and the age and college aspirations of their legacy children” (para.3).

Furthermore, the 1950s was the first time Canadian universities received unprecedented public support as well as unprecedented private benefaction and government grants (Gibson, 1983). By 1953, Queen’s alumni donor participation rate was 18 percent, ranking fifteenth among the 302 U.S. and Canadian universities (Gibson, 1983). By 1960, McGill’s endowment reached \$60 million (Harris, 1976), and Queen’s endowment was worth \$12.4 million, both well ahead of their national peers. The Ontario Committee on University Affairs examined Queen’s financial position in 1960, and found that its net endowment income was more than three times greater than Western, McMaster, Carleton, Windsor and Ottawa combined. The conclusion was that Queen’s was “extremely well endowed” (Gibson, 1983, p. 364). Looking to their southern counterparts, however, Queen’s and McGill considered themselves poor relations.

Additionally, Canadian universities were being treated more as a public good in much the same way that health care in Canada had been—provided by governments in a manner determined by public policy (Skolnik, 2005). Governments in the 1950s and 1960s took a more utilitarian view of universities, seeing them as providing skilled technicians to run the economy (Gibson, 1983). However, over subsequent decades, increased emphasis on the knowledge economy, technological change, and globalization led to increased focus on economic contribution of education above all other educational objectives as higher education became “increasingly considered a *private* good that benefits primarily the individual” (Rosenstone, 2004, p. 57). Consequently, the ideological shift that the individual is the primary beneficiary of education has resulted in further dramatic cuts to government support for education. In 1977, government grants accounted for 72 percent of Canadian public university operating funds and 15 percent of American public university operating funds. By 1991 government grants accounted for only 57 percent and 12 percent respectively. Universities once again looked to tuition and private support to make up the difference, and began lobbying their respective governments for both increased funding and the ability to autonomously set tuition rates.

Campaign Promises (2000 Onwards)

Under President Nathan M. Pusey (1953-1971), Harvard tripled its endowment through what was then the largest fundraising campaign in American higher education, raising \$82.5 million. Harvard had a larger campaign under the leadership of Bok, which raised \$356 million by 1985 (Harvard College, 2007). In 1974, Yale launched a \$370 million campaign (Karabel, 2005), and then in 1992 set a record by launching a \$1.5 billion fundraising drive (Karabel, 2005). By the end of 2007 some 65 U.S. universities had launched fundraising campaigns of at least \$1.0 billion, with nearly half being at public institutions (Shea, 2008).

For Canadian universities, such massive capital campaigns were simply unheard of until 1991 when University of Toronto raised \$125 million (Tudiver, 1999). This was followed by the University of British Columbia raising \$262 million by 1995, McGill raising \$205 million by 1996, and Queen’s raising \$262 million by 2002. Setting yet another milestone, the University of Toronto completed a nine-year campaign in 2004 having raised \$1 billion. These successes owed much to changes in Canadian tax treatment of charitable giving, which lagged behind the United States (Emberley, 1996). For example, it was not until 2006 that a change to the treatment of gifts of securities allowed Canadians to transfer publicly-traded securities to registered charities, thus foregoing entirely the capital gains tax and getting a charitable tax

receipt for the full market value. Such tax advantages, long available to American donors, finally positioned Canadian universities positively to potential private donors.

In 1996, philanthropic contributions to American higher education totaled \$14.2 billion (Srebrnik, 2000). The Council for Aid to Education (2008) reports that by 2007, philanthropic contributions were estimated at \$29.75 billion, with the donations from foundations (28.6%), alumni (27.8%), non-alumni (19.0%), corporations (16.1%), other organizations (7.2%), and religious organizations (1.3%). What is striking about the figures is that two percent of the universities raised 26 percent of the total contributions, pointing to the reality of philanthropic elite amongst U.S. institutions. Moreover, the top two American fundraising universities (Stanford and Harvard) raised \$1.44 billion in one year, more than all Canadian universities combined.

Explanations for this incredible performance lie in aggressive campaigns by both private and public institutions, the latter facing declining public support through state grants. Furthermore, donation rates for U.S. state universities could be up to 30 percent of the alumni population but are typically around 15 percent. The private Ivy League institutions (Harvard, Yale, Princeton, Pennsylvania, Brown, Columbia, Cornell and Dartmouth) demonstrated levels of annual giving which placed them amongst the most effective fundraising operations in the world: the latest statistics for Princeton reveal an alumni giving rate of 61 percent while Yale, Harvard and Stanford have recorded figures of 45, 44 and 39 percent respectively (The Sutton Trust, 2006).

In 2007 Canada's 93 universities reported having received \$1.120 billion in donations (Canadian Association of Business Officers, 2008). Yet, the top 5 fundraising institutions (Calgary, Toronto, McGill, McMaster, and Montreal) raised \$450.52 million collectively, or 40 percent of the total fundraising amount, demonstrating a considerable imbalance in fundraising performance to the benefit of a few institutions. To include the next best 5 fundraising results (Alberta, Western, UBC, Queen's, and Dalhousie) with the previous five, the total raised by the top 10 fundraising institutions in 2007 was \$684.79 million, or 61 percent of the national total.

As for endowments—capital investments held over long periods of time or in perpetuity—the 2007 net market value of 780 American university endowments was a staggering \$406 billion (National Association of College and University Business Officers 2008). For instance, the top five endowments (Harvard, Yale, Stanford, Princeton, and Texas) were \$105.72 billion. In other words, less than 1 percent of universities held 26 percent of the endowment value. The median endowment value was \$91 million, and 76 universities had an endowment of over \$1 billion. The reality is that “fewer than 400 of the roughly 4,500 colleges and universities in the United States had even \$100 million in endowments in the fiscal year that ended in June [2007]. Most had less than \$10 million” (Arenson, 2008, para.3). In comparison, as of December 2006, the net market value of all of Canada's 93 university endowment funds stood at \$10.4 billion (Tam, 2007). This is a considerable increase from \$6.43 billion in 2002, indicating an increase role of philanthropy at our universities. Only Toronto had an endowment over \$1 billion. Still, the top five Canadian endowments (Toronto, McGill, UBC, Alberta, and Queen's) comprised \$3.16 billion. Comparable to the U.S., less than 1 percent of Canadian universities held 30 percent of the country's total university endowment value, suggesting that a very select group of institutions has aggressively positioned themselves as market leaders in philanthropic revenues.

Thus, in their respective countries, the top five university endowments point to a considerable differentiation in university resources. While nationally competitive, leading Canadian research-intensive universities find themselves in a difficult position as they relentlessly compete for faculty, students, and researchers with their American peers—both publically and privately—that receive substantially more per-student funding. The National Association of College and University Business Officers 2007 listing of 785 American and Canadian university endowments in U.S. dollars ranks the top five Canadian endowments as follows: Toronto (#37), UBC (#75), McGill (#88), Alberta (#99), and Queen's (#122). Definite philanthropic gaps are appearing in both countries, as a philanthropically elite cadre of institutions raise the lion's share of private and amass enormous endowments.

A 2007 survey of 50 American colleges and universities with endowments worth \$1 billion or more found these institutions reported a median return of 21.3 percent (Di Mento & Gose, 2008). It is therefore not surprising that ongoing capital campaigns have bred a skepticism that the very wealthy universities are seeking to become wealthier. This argument is further fuelled by the fact that most universities typically limit the rate of spending on endowments to a fiscally conservative 5 percent of the funds (Freedman, 2003). As a result universities are under a considerable amount of public scrutiny around the investment and usage of these funds. In February 2008, the U.S. Senate Finance Committee demanded detailed financial information from 136 colleges with endowments of \$500 million or higher to assess the universities' endowment and financial aid spending. There are now U.S. Congressional proposals to regulate university spending rates and curb tuition fees (Schworm, 2008). Ontario's ombudsman demanded, in July 2008, an investigation of the so-called "MUSH" (municipalities, universities, schools, and hospitals) sector claiming that these public organizations are without oversight (Campbell, 2008).

However, the current global financial crisis has profoundly affected university endowments, with losses ranging in the hundreds of millions. Harvard, the wealthiest university in the world, issued a statement that the private institution needs "to be prepared to absorb unprecedented endowment losses and plan for a period of greater financial restraint" (Associated Press, 2008, para.4). Even Canadian universities— which barely rely on their endowments for overall operations— "could be forced to cut student aid, scholarships and funding for various programs" (Church & Waldie, 2008, para.1). The crisis has also affected donors, who are taking a cautious approach, meaning that universities have to adjust their fundraising projections and objectives. In their provocative paper "On the Brink", Usher & Dunn (2009) speculate that due to rising demand for postsecondary education, decreasing resources, and increasing costs Canada's universities have little choice but to lobby governments for freedom from Revenue Canada endowment spending rules, autonomy to impose higher tuition levels and a drastically reconfigured enrolment funding formula.

Current Issues in Higher Education Philanthropy

Affected by many factors, the three-century ideological struggle over who should ultimately be responsible for funding higher education continues. As Howlett and Ramesh (2003) point out, "the context of societal, state, and international institutions, and the value these institutions embody condition how a problem is defined, facilitate the adoption of certain solutions to it, and prohibit or inhibit the choice of other solutions" (p. 16). Currently, in Canada, provincial governments have effective control over 91 percent of public universities' operating fund revenues, since both grants and tuition fee increase levels are legislated by government policy (Canadian Association of University Business Officers, 2008).

While education is a provincial jurisdiction in Canada, the federal government does support higher education through research and student aid funding. However, as Finnie and Usher (2006) note, "the federal government seems to have a growing preference to use tax credits as a major instrument of social economic policy" (p. 163). Public university administrators thus face the daunting challenge of managing their financial resources and budget planning within shifting policy parameters. As Gilbert (2000) writes, "universities must be sufficiently emancipated from the vagaries of government not to flounder when public policy goes awry" (p. 35). However, due to increased lobbying by the private sector and mounting concern over accessibility, Canadian provincial governments began to authorize the establishment of private universities in Ontario (2000), British Columbia (2002) and Alberta (2003), adding new institutional players to what is viewed as an already crowded sector.

In a climate of increased public scrutiny Canada's universities are in a dubious position: taxpayers want more accountability and results but are not willing to address substantial funding constraints. American public universities will face the additional challenge of ever-dwindling state funding. A June 2008 report by the National Governors Association and National Association of State Budget Officers proposed a meager 1-percent increase in general-fund spending for 2009 (Perry, 2008). Moreover, as Newfield (2003) astutely points out, the paradox facing today's university administrators is that higher tuition increases have damaged popular support for higher education without actually covering steadily increasing costs. Thus, Usher and Dunn (2009) point out, "the question is whether governments are going to *want* to abandon

tuition freezes since they appear to be reasonably popular” (p.16). With little maneuvering room, Canada’s universities are forced to pander to the domineering human capital view of education—that the value of education is best measured through the output of labour and economic benefit—to try and influence public policy. Recently, the Association of Colleges and University of Canada (2008) sent a briefing to the federal minister of finance arguing that investments in improving university infrastructure and supporting university research would act as an economic stimulus for dozens of Canadian communities and ensure longer-term knowledge and entrepreneurial advantages for Canada. Simultaneously, a handful of institutions are launching ambitious campaigns to attempt to increase private donations. The worry of some is that such a push for private revenues will further disadvantage institutions with less-developed fundraising capacity and inadvertently signal to provincial leaders that operating funding from the government is less of a priority.

For American universities the biggest hurdles for philanthropy will be ongoing and considerable demographic shifts. The American population surpassed 300 million in 2008, doubling since 1950. William Frey (2008) argues that the United States has morphed into three regions based on distinctive culture and demography: the Melting Pot (attracts immigration), the New Sunbelt (attracts domestic in-migration), and the Heartland (attracts neither immigration nor in-migration). Pulley (2008) concludes that since these emerging regions reflect such differing lifestyles and values, “education institutions can no longer assume that they know their audiences. Traditional methods of advancing institutional interests won’t work as they have in the past” (p.32).

Conclusion

Differences of opinion on the appropriate role of the government and the individual in funding higher education continues to be at the centre of the policy debates in both Canada and the United States (Council of Ontario Universities, 2005). As Tempel and Campbell (2000) state, “public policy and philanthropy also are increasingly intertwined. More must be known about the nonprofit sector if policymakers are to formulate effective responses to issues such as devolution of federal services through local governments to local charities” (p. 3). Within the nexus of this contested domain sits the public university, faced with decreasing state funding and increasing competition against other public and private institutions for resources, stature, students, and faculty. Not surprisingly the lure of fundraising has never been more potent for universities. Income from gifts provide much needed revenue for major building projects and other academic activities, as well as boosting endowment levels so institutions can be less reliant on funding from government in the long term (The Sutton Trust, 2006). In the middle of the cacophonous debate about how best to fund higher education, universities have long sought to provide some stability and direction through private benefaction. This paper has shown the that history of our universities in both the United States and Canada demonstrates private philanthropy and private interests have long played an intrinsic role in institutional survival and development at both public and private institutions of higher learning and will most certainly have to continue to do so in the years ahead.

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